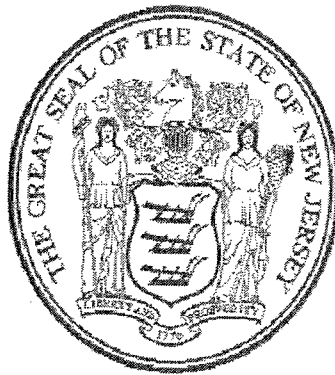


# **QUARTERLY REPORT**

**LICENSEE RESORTS INTERNATIONAL HOTEL, INC.**

**FOR THE QUARTER ENDED JUNE 30, 2004**

**TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY**



# BALANCE SHEETS

AS OF JUNE 30, 2004 AND 2003

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	<b>ASSETS</b>		
	Current Assets:		
1	Cash and Cash Equivalents.....	\$ 23,155	\$ 16,870
2	Marketable securities (Short Tm. money market at cost).....	17,892	88,755
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2004, \$1,562; 2003, \$3,567)..... Note 2.....	5,745	5,217
4	Inventories.....	1,966	1,320
5	Prepaid Expenses and Other Current Assets..... Note 3.....	9,039	9,132
6	Total Current Assets.....	57,797	121,294
7	Investments, Advances, and Receivables..... Note 4.....	11,163	19,014
8	Property and Equipment - Gross.....	271,084	178,597
9	Less: Accumulated Depreciation and Amortization.....	(28,465)	(17,740)
10	Property & Equipment - Net.....	242,619	160,857
11	Other Assets.....	7,278	7,256
12	<b>Total Assets.....</b>	<b>\$ 318,857</b>	<b>\$ 308,421</b>
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
13	Accounts Payable.....	\$ 7,432	\$ 4,664
14	Notes Payable.....	-	-
	Current Portion of Long-Term Debt:		
15	Due to Affiliates.....	-	-
16	Other.....	4,284	942
17	Income Taxes Payable and Accrued.....	13	1,152
18	Other Accrued Expenses..... Note 5.....	14,725	17,611
19	Other Current Liabilities..... Note 6.....	8,317	8,736
20	Total Current Liabilities.....	34,771	33,105
	Long-Term Debt:		
21	Due to Affiliates..... Note 7.....	176,844	176,368
22	Other..... Note 7.....	16,688	6,401
23	Deferred Credits.....	5,591	4,653
24	Other Liabilities.....	-	-
25	Commitments and Contingencies..... Note 1.....	-	-
26	<b>Total Liabilities.....</b>	<b>233,894</b>	<b>220,527</b>
27	<b>Stockholders, Partners', or Proprietor's Equity.....</b>	<b>84,963</b>	<b>87,894</b>
28	<b>Total Liabilities and Stockholders' Equity.....</b>	<b>\$ 318,857</b>	<b>\$ 308,421</b>

# STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	<b>Revenue:</b>		
1	Casino.....	\$ 117,704	\$ 119,032
2	Rooms.....	6,847	5,192
3	Food and Beverage.....	10,956	10,673
4	Other.....	4,642	3,056
5	Total Revenue.....	140,149	137,953
6	Less: Promotional Allowances.....	31,816	27,810
7	Net Revenue.....	108,333	110,143
	<b>Costs and Expenses:</b>		
8	Cost of Goods and Services.....	74,605	74,312
9	Selling, General, and Administrative.....	21,706	19,680
10	Provision for Doubtful Accounts.....	(61)	356
11	Total Costs and Expenses.....	96,250	94,348
12	<b>Gross Operating Profit.....</b>	<b>12,083</b>	<b>15,795</b>
13	Depreciation and Amortization.....	7,217	6,016
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other.....	-	-
16	<b>Income (Loss) from Operations.....</b>	<b>4,866</b>	<b>9,779</b>
	<b>Other Income (Expenses):</b>		
17	Interest (Expense) - Affiliates.....Note 8.....	(6,536)	(9,436)
18	Interest (Expense) - External.....	(192)	(155)
	Investment Alternative Tax and Related Expense,		
19	Net of Amortization of \$0 and \$0 Respectively.....	(1,079)	(416)
20	Nonoperating Income (Expense) - net.....	1,041	630
21	Total Other Income (Expenses).....	(6,766)	(9,377)
22	<b>Income (Loss) Before Income Taxes and Extraordinary Items.....</b>	<b>(1,900)</b>	<b>402</b>
23	Provision (Credit) for Income Taxes.....	168	843
24	<b>Income (Loss) Before Extraordinary Items.....</b>	<b>(2,068)</b>	<b>(441)</b>
25	Extraordinary Items (net of income tax benefit).....	-	-
26	<b>Net Income (Loss).....</b>	<b>\$ (2,068)</b>	<b>\$ (441)</b>

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

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# STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2004 AND 2003

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	<b>Revenue:</b>		
1	Casino.....	\$ 62,492	\$ 63,012
2	Rooms.....	3,775	2,635
3	Food and Beverage.....	5,972	5,800
4	Other.....	2,792	1,694
5	Total Revenue.....	75,031	73,141
6	Less: Promotional Allowances.....	17,503	14,913
7	Net Revenue.....	57,528	58,228
	<b>Costs and Expenses:</b>		
8	Cost of Goods and Services.....	39,174	37,797
9	Selling, General, and Administrative.....	11,515	9,753
10	Provision for Doubtful Accounts.....	(2)	53
11	Total Costs and Expenses.....	50,687	47,603
12	<b>Gross Operating Profit.....</b>	<b>6,841</b>	<b>10,625</b>
13	Depreciation and Amortization.....	3,553	3,065
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other.....	-	-
16	<b>Income (Loss) from Operations.....</b>	<b>3,288</b>	<b>7,560</b>
	<b>Other Income (Expenses):</b>		
17	Interest (Expense) - Affiliates.....	(3,164)	(4,628)
18	Interest (Expense) - External.....	(116)	(76)
19	Investment Alternative Tax and Related Expense, Net of Amortization of \$0 and \$0 Respectively.....	(954)	(258)
20	Nonoperating Income (Expense) - net.....	928	432
21	Total Other Income (Expenses).....	(3,306)	(4,530)
22	<b>Income (Loss) Before Income Taxes and Extraordinary Items.....</b>	<b>(18)</b>	<b>3,030</b>
23	Provision (Credit) for Income Taxes.....	411	1,389
24	<b>Income (Loss) Before Extraordinary Items.....</b>	<b>(429)</b>	<b>1,641</b>
25	Extraordinary Items (net of income tax benefit).....	-	-
26	<b>Net Income (Loss).....</b>	<b>\$ (429)</b>	<b>\$ 1,641</b>

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC.

## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003  
AND THE SIX MONTHS ENDED JUNE 30, 2004

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated) (Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2002.....	1,000,000	\$ 1,000		\$	\$ 76,696		\$ 10,614	\$ 88,310
2	Net Income (Loss) - 2003.....							(1,256)	(1,256)
3	Contribution to Paid-in-Capital.....								-
4	Dividends.....								-
5	Prior Period Adjustments.....								-
6	Sale of Hedging Instrument.....								-
7	Changes in value of stock options granted to employees and consultants.....					(23)			(23)
8	.....								
9	.....								
10	Balance, December 31, 2003.....	1,000,000	1,000			76,673		9,358	87,031
11	Net Income (Loss) - 2004.....							(2,068)	(2,068)
12	Contribution to Paid-in -Capital.....								-
13	Dividends.....								-
14	Changes in value of stock options granted to employees and consultants.....								-
15	.....								-
16	.....								-
17	.....								-
18	.....								-
19	Balance, June 30, 2004.....	1,000,000	\$ 1,000		\$	\$ 76,673	\$	\$ 7,290	\$ 84,963

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
1	<b>Net Cash Provided (Used) by Operating Activities.....</b>	\$ 7,638	\$ 4,426
	<b>Cash Flows From Investing Activities:</b>		
2	Purchase of Short-Term Investment Securities.....	-	-
3	Proceeds from the Sale of Short-Term Investment Securities.....	-	-
4	Cash Outflows for Property and Equipment.....	(59,038)	(19,822)
5	Proceeds from Disposition of Property and Equipment.....	1,249	-
6	Purchase of Casino Reinvestment Obligations.....	(1,296)	(1,409)
7	Purchase of Other Investments and Loans/Advances made.....	-	-
8	Proceeds from Disposal of Investments and Collection of Advances and Long-Term receivables.....	-	-
9	Cash Outflows to Acquire Business Entities.....	-	-
10	CRDA Reimbursement.....	433	-
11		-	-
12	<b>Net Cash Provided (Used) By Investing Activities.....</b>	(58,652)	(21,231)
	<b>Cash Flows From Financing Activities:</b>		
13	Cash Proceeds from Issuance of Short-Term Debt.....	-	-
14	Payments to Settle Short-Term Debt.....	(938)	(518)
15	Cash Proceeds from Issuance of Long-Term Debt.....	14,382	-
16	Costs of Issuing Debt.....	(158)	(12)
17	Payments to Settle Long-Term Debt.....	-	-
18	Cash Proceeds from Issuing Stock or Capital Contributions.....	-	-
19	Purchases of Treasury Stock.....	-	-
20	Payments of Dividends or Capital Withdrawals.....	-	-
21	Other Financing Activities.....	-	-
22	Advances from (Repayment to) Parent Company and Affiliates.....	-	-
23	<b>Net Cash Provided (Used) By Financing Activities.....</b>	13,286	(530)
24	<b>Net Increase (Decrease) in Cash and Cash Equivalents.....</b>	(37,728)	(17,335)
25	<b>Cash and Cash Equivalents at Beginning of Period.....</b>	78,775	122,960
26	<b>Cash and Cash Equivalents at End of Period.....</b>	\$ 41,047	\$ 105,625

	<b>Cash Paid During Period For:</b>		
27	Interest (Net of Amount Capitalized).....	\$ 6,477	\$ 9,360
28	Income Taxes (Net of amounts refunded).....	\$ 650	\$ (275)

# STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	<b>Net Cash Flows From Operating Activities:</b>		
29	Net Income.....	\$ (2,068)	\$ (441)
	Noncash Items Included in Income and Cash Items		
	Excluded from Income:		
30	Depreciation and Amortization of Property and Equipment.....	5,538	4,806
31	Amortization of Other Assets.....	1,679	1,210
32	Amortization of Debt Discount or Premium.....	245	217
33	Deferred Income Taxes - Current.....	-	-
34	Deferred Income Taxes - Noncurrent.....	-	-
35	(Gain) Loss on Disposition of Property and Equipment.....	(759)	-
36	(Gain) Loss on Casino Reinvestment Obligations.....	1,079	416
37	(Gain) Loss from Other Investment Activities.....	-	-
	Net (Increase) Decrease in Receivables and Patrons'		
38	Checks .....	(570)	(119)
39	Net (Increase) Decrease in Inventories.....	(463)	(31)
40	Net Decrease (Increase) in Other Current Assets.....	(1,979)	(1,419)
41	Net Decrease (Increase) in Other Assets.....	588	63
42	Net Increase (Decrease) in Accounts Payable.....	4,042	(899)
	Net (Decrease) Increase in Other Current Liabilities		
43	Excluding Debt.....	306	598
	Net Increase (Decrease) in Other Noncurrent Liabilities		
44	Excluding Debt.....	-	25
45	Loss on extinguishment of debt.....	-	-
46			
47	<b>Net Cash Provided (Used) By Operating Activities.....</b>	<b>\$ 7,638</b>	<b>\$ 4,426</b>

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>Acquisition of Property and Equipment:</b>		
48	Additions to Property and Equipment.....	\$ (59,038)	\$ (19,822)
49	Less: Capital Lease Obligations incurred.....	-	-
50	<b>Cash Outflows for Property and Equipment.....</b>	<b>\$ (59,038)</b>	<b>\$ (19,822)</b>
	<b>Acquisition of Business Entities:</b>		
51	Property and Equipment Acquired.....	\$	\$
52	Goodwill Acquired.....		
	Net Assets Acquired Other than Cash, Goodwill, and		
53	Property and Equipment.....		
54	Long-Term Debt Assumed.....		
55	Issuance of Stock or Capital Invested.....		
56	<b>Cash Outflows to Acquire Business Entities.....</b>	<b>\$ -</b>	<b>\$ -</b>
	<b>Stock Issued or Capital Contributions:</b>		
57	Total Issuances of Stock or Capital Contributions.....	\$ -	\$ -
58	Less: Issuances to Settle Long-Term Debt.....		
59	Consideration in Acquisition of Business Entities.....		
60	<b>Cash Proceeds from Issuing Stock or Capital Contributions.....</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: RESORTS INTERNATIONAL HOTEL, INC.

# SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

Amended

8/24/04

FOR THE SIX MONTHS ENDED JUNE 30, 2004

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (in thousands) (d)	Number of Recipients (e)	Dollar Amount (in thousands) (f)
1	Rooms	68,483	\$ 5,652	335	\$ 55
2	Food	488,498	5,931	116	8
3	Beverage	231,551	1,274	-	-
4	Travel	-	-	7,836	927
5	Bus Program Cash	321,758	5,304	-	-
6	Other Cash Complimentaries	437,609	12,331	-	-
7	Entertainment	31,064	1,176	855	127
8	Retail & Non-Cash Gifts	4,697	81	1,101	236
9	Parking	-	-	-	-
10	Other	3,829	67	22,087	447
11	Total	1,587,489	\$ 31,816	32,330	\$ 1,800

\* Included in Other Promotional Expenses for the six months ended June 30, 2004 are tobacco complimentaries in the amount of \$122. No other single item or service included in other exceeds 5% of the column total.

FOR THE THREE MONTHS ENDED JUNE 30, 2004

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (in thousands) (d)	Number of Recipients (e)	Dollar Amount (in thousands) (f)
1	Rooms	36,191	\$ 2,972	154	\$ 24
2	Food	256,055	3,151	31	4
3	Beverage	105,704	645	-	-
4	Travel	-	-	3,713	520
5	Bus Program Cash	188,851	3,119	-	-
6	Other Cash Complimentaries	248,282	6,843	-	-
7	Entertainment	21,868	697	458	48
8	Retail & Non-Cash Gifts	2,408	44	508	95
9	Parking	-	-	-	-
10	Other	1,863	32	10,007	229
11	Total	861,222	\$ 17,503	14,871	\$ 920

\* Included in Other Promotional Expenses for the three months ended June 30, 2004 are tobacco complimentaries in the amount of \$60. No other single item or service included in other exceeds 5% of the column total.



**RESORTS INTERNATIONAL HOTEL INC.  
NOTES TO FINANCIAL STATEMENTS**

**1. Basis of Presentation**

Colony RIH Holdings, Inc., a Delaware corporation ("CRH"), owns 100% of the outstanding common stock of Resorts International Hotel and Casino, Inc., also a Delaware corporation ("RIHC"). RIHC, through its wholly-owned subsidiary, Resorts International Hotel, Inc., a New Jersey corporation ("RIH" or the "Company"), owns and operates Resorts Atlantic City, a casino/hotel located in Atlantic City, NJ.

On March 22, 2002, RIHC sold \$180.0 million aggregate principal amount of 11½% first mortgage notes (the "First Mortgage Notes") (see Note 7, "Long-Term Debt"). Concurrent with the sale of the First Mortgage Notes, CRH issued class A common stock and class B common stock to its existing shareholders for a total price of approximately \$35.0 million. The proceeds from the sale of the First Mortgage Notes and issuance of stock were used to retire existing debt and are being used to finance the cost to develop, construct and equip a new hotel tower (the "Hotel Expansion Project"). As of June 30, 2004, \$7.2 million of the proceeds is deposited in a construction disbursement account for this purpose. Additionally, \$10.0 million of the proceeds from the issuance of stock has been deposited in a liquidity disbursement account to be used for working capital in the event that RIH's Adjusted Consolidated EBITDA, as defined in the First Mortgage Notes Indenture, for any four fiscal quarters ending on or prior to December 31, 2004, is less than \$28 million. At the end of the measurement period referred to in the previous sentence, RIHC will be permitted to secure a release of any unutilized amount in the liquidity disbursement account for use in its business or to fund a dividend to CRH to return such unutilized amount to CRH's stockholders. RIH's Consolidated EBITDA for the four fiscal quarters ending June 30, 2004 was \$27.7 million. As a result, \$0.3 million will be released from the liquidity disbursement account pursuant to the Indenture to RIHC to be used for general corporate purposes.

As of June 30, 2004, the balance in the construction disbursement account and liquidity disbursement account is considered a restricted cash investment under the terms of the debt offering, and is included in Marketable Securities on the accompanying balance sheet.

The accompanying financial statements have been prepared in accordance with the rules and regulations of the New Jersey Casino Control Commission (the "Commission") for Quarterly Reports. Accordingly, they do not include the information and footnotes required by generally accepted accounting principals for complete financial statements.

These accompanying financial statements are unaudited. In the opinion of management, all adjustments, consisting of normal recurring accruals considered necessary for fair presentation have been included. The casino industry is seasonal in nature; accordingly, operating results for the three month and six month periods ended June 30, 2004, are not necessarily indicative of the results that may be expected for the year ended December 31, 2004.

These financial statements should be read in conjunction with the financial statements and notes thereto included in RIH's Quarterly Report for the quarter ended December 31, 2003, as filed with the Commission.

**2. Receivables**

Components of receivables were as follows at June 30 (in thousands):

	2004	2003
Gaming .....	\$5,310	\$7,685
Less: allowance for doubtful accounts .....	(1,521)	(3,526)
	<u>3,789</u>	<u>4,159</u>
Non-gaming: .....		
Hotel and related .....	600	322
Other .....	1,397	777
	<u>1,997</u>	<u>1,099</u>
Less: allowance for doubtful accounts .....	(41)	(41)
	<u>1,956</u>	<u>1,058</u>
Receivables, net .....	<u>\$5,745</u>	<u>\$5,217</u>

### 3. Prepaid Expenses and Other Current Assets

Components of prepaid expenses and other current assets were as follows at June 30 (in thousands):

	2004	2003
Current portion deferred income taxes .....	\$ 4,294	\$ 4,373
Other .....	4,745	4,759
	<u>\$ 9,039</u>	<u>\$ 9,132</u>

### 4. Investments, Advances and Receivables

Components of investments, advances and receivables were as follows at June 30 (in thousands):

	2004	2003
CRDA bonds and direct investments .....	\$ 13,727	\$ 13,497
CRDA deposits .....	5,591	16,627
Valuation allowance .....	(8,155)	(11,110)
	<u>\$ 11,163</u>	<u>\$ 19,014</u>

The New Jersey Casino Control Act, as amended, requires RIH to purchase bonds issued by the Casino Reinvestment Development Authority (the "CRDA") or make other investments authorized by the CRDA, in an amount equal to 1.25% of RIH's gross gaming revenue, as defined.

The CRDA bonds have interest rates ranging from 3.5% to 7.0% and have repayment terms of between 20 and 50 years. The Company records charges to expense to reflect the below-market interest rate payable on the bonds it may have to purchase to fulfill its investment obligation at the date the obligation arises. The charges for the six months ended June 30, 2004 and 2003 for discounts on obligations arising in those years were \$1.1 million and \$416,000 respectively. Discounts on obligations for the three months ended June 30, 2004 and 2003 were \$954,000 and \$257,000, respectively.

From time to time RIH has donated certain funds it has had on deposit with the CRDA in return for either relief from its obligation to purchase CRDA bonds or credits against future CRDA deposits. The majority of the Company's deposits have been pledged for specific projects.

### 5. Other Accrued Expenses

Components of other accrued expenses were as follows at June 30 (in thousands):

	2004	2003
Insurance and related costs .....	\$ 1,722	\$ 1,755
Payroll and related liabilities .....	7,781	9,119
Gaming taxes and fees .....	2,601	2,818
Other .....	2,621	3,919
	<u>\$ 14,725</u>	<u>\$ 17,611</u>

### 6. Other Current Liabilities

Components of other current liabilities were as follows at June 30 (in thousands):

	2004	2003
Interest Payable .....	6,043	6,038
Other .....	2,274	2,698
	<u>\$ 8,317</u>	<u>\$ 8,736</u>

## 7. Long-Term Debt

### Due to Affiliates

On March 22, 2002, RIHC sold \$180.0 million aggregate principal amount of First Mortgage Notes at a price of 97.686% yielding \$175.8 million. Interest on the First Mortgage Notes is payable on March 15 and September 15 of each year, and the First Mortgage Notes are due in full on March 15, 2009. In conjunction with the issuance of the First Mortgage Notes, RIHC issued a note to RIH with terms that mirror those of the First Mortgage Notes.

The First Mortgage Notes contain certain covenants that, among other things, limit RIHC's ability and the ability of its subsidiaries to pay dividends on, redeem or repurchase its or their capital stock, make investments, incur additional indebtedness, permit payment of or restrict dividends by certain of its subsidiaries, enter into sale leaseback transactions, sell assets, guarantee indebtedness, create certain liens, engage in transactions with affiliates, and consolidate, merge or transfer all or substantially all its assets and the assets of its subsidiaries on a consolidated basis.

In connection with the construction of the Hotel Expansion Project, the Company has capitalized interest of \$8.1 million since the commencement of the project, of which \$4.1 million was capitalized during the six months ended June 30, 2004. The Company ceased capitalization of interest during the second quarter of 2004, as the Hotel Expansion Project was ready for its intended use.

### Other

Other long-term debt is summarized as follows at June 30 (in thousands):

	2004	2003
Thermal Energy capital lease.....	\$ 6,405	\$ 6,520
CIT Facility.....	13,967	811
Other.....	600	12
	<u>20,972</u>	<u>7,343</u>
Less: current portion.....	4,284	942
	<u>\$ 16,688</u>	<u>\$ 6,401</u>

On June 16, 2002, RIH entered into a Thermal Energy Services Agreement (the "Thermal Agreement"). The initial term of the Thermal Agreement is 20 years, renewable at RIH's option for two additional five year terms. The Agreement has three components: a monthly charge for operation and maintenance of the thermal energy facilities; a capital lease component for capital improvements whose value was estimated at \$6.5 million on the date the Thermal Agreement was executed, and; a usage fee for steam and chilled water, whose usage and rate will vary by month of the year. The outstanding balance of the capital lease was \$6.4 million at June 30, 2004.

In June 2002, RIH entered into a Restated Loan and Security Agreement with CIT Group/Equipment Financing, Inc ("CIT Facility"). The CIT Facility permits RIH to borrow up to \$20 million for the purchase of machinery, furniture, or equipment. Loans pursuant to the CIT Facility are repayable in up to a sixty-month amortization period from the date the loan is made. Outstanding loans bear interest at the rate of LIBOR plus three and one-half percent. RIH is required to pay an annual fee equal to one-half percent of the unused portion of the CIT Facility. The outstanding balance due to CIT at June 30, 2004 was \$14.0 million.

In November 2002, RIH entered into a Loan and Security Agreement with Commerce Bank, N.A ("Commerce Facility"). The Commerce Facility provides for working capital borrowings and letters of credit up to \$10 million. The Commerce Facility expires on June 30, 2005. There was no outstanding balance on the Commerce Facility at June 30, 2004.

In the second quarter of 2004, RIH completed a like-kind exchange of its warehouse for a new warehouse facility. The transaction included the receipt of approximately \$1.2 million from the sale of the old warehouse, the proceeds of which were combined with a \$600,000 note (the "Warehouse Note") to purchase the new facility. The Warehouse Note has an interest rate of 6%, with fixed payments of principal and interest due in December 2004, February 2005 and February 2006.

## 8. Related Party Transactions

RIH recorded the following expenses from affiliates for the six months ended June 30 (in thousands):

	2004	2003
Interest and amortization of discounts on First Mortgage Notes.....	\$ 10,595	\$ 10,568
Interest expense on hedging instruments .....	1	13
Less: capitalized interest.....	(4,060)	(1,145)
	<u>\$ 6,536</u>	<u>\$ 9,436</u>

## 9. Income Taxes

The benefit for income taxes for the quarter ended June 30, 2004, is different than the amount computed at the United States statutory rate due to certain non-deductible items and state income taxes, which are calculated under an alternative minimum assessment of a percentage of gross revenues.

On June 30, 2003, the State of New Jersey amended the Casino Control Act, effective July 1, 2003, to impose or increase certain taxes and fees, including a tax at the rate of 7.5% on the adjusted net income of casino licenses in calendar year 2002, payable in the state's fiscal years 2004 through 2006. The amount of this tax for each licensee is limited to a maximum of \$10.0 million annually and a minimum of \$350,000 annually. For the six months ended June 30, 2004, the company recorded a provision of \$175,000 for this tax.

On July 3, 2002, the State of New Jersey passed the New Jersey Business Tax Reform Act which, among other things, requires the suspension of the use of the New Jersey net operating loss carryforwards for two years and the introduction of a new alternative minimum amount under the New Jersey corporate business tax based on gross receipts or gross profits, as defined. This tax was retroactive to January 1, 2002. In accordance with this tax act, the Company recorded provisions for current state income tax of \$437,000 and \$444,000, net of federal benefits, for the six months ended June 30, 2004 and 2003, respectively.

## STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during this year.

  
\_\_\_\_\_  
Signature

Senior Vice President of  
Finance and Chief Financial Officer  
\_\_\_\_\_  
Title

008227-11  
\_\_\_\_\_  
License Number

On Behalf Of:  
RESORTS INTERNATIONAL HOTEL, INC.  
Casino Licensee